



SOCIAL SECURITY AGREEMENT SUMMARY

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**Canada
and
Cyprus**



**INCOME
SECURITY PROGRAMS**



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Foreword

The Agreement on Social Security between Canada and Cyprus was signed on January 24, 1990, and came into force on May 1, 1991.

This summary describes in general terms how the Agreement may help individuals qualify for Canadian or Cypriot social security benefits. It is intended for persons residing in Canada.

It should be noted that, in addition to the entitlement conditions for benefits outlined in this summary, other conditions may be stipulated in the social security laws of either country. Further information about the conditions for entitlement to Canadian benefits and how they affect a particular case may be obtained from any Client Service Centre of Income Security Programs Branch. The telephone number and address of the nearest Centre can be found in the federal government listing of the telephone directory under "Health and Welfare Canada".

Only the Cypriot Department of Social Insurance Services can provide specific information on the entitlement conditions for Cypriot benefits and how they affect a particular case. To avoid delays or loss of benefits, persons who think they may be eligible for one of the Cypriot benefits described in this summary should submit an application. Information on how to apply is given on pages 13 and 14 of this summary.



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Introduction

The Agreement on Social Security between Canada and Cyprus coordinates the Canadian and Cypriot programs which protect individuals in the event of old age, retirement, disability or death. It has three basic objectives:

- (1) to ease or eliminate restrictions on the payment of social security benefits abroad;
- (2) to eliminate situations in which a worker may have to contribute to the social security programs of both countries for the same work, and
- (3) to assist migrants in qualifying for benefits based on the periods they have lived or worked in each country.

The Canadian benefits included in the Agreement are those paid under the Old Age Security program and the Canada Pension Plan. These benefits are described on pages 1 to 7.

The Cypriot benefits included in the Agreement are the old age, invalidity and survivors' benefits payable under the Social Insurance Scheme of Cyprus. These benefits are described on pages 8 to 11.

Canadian Old Age Security Benefits

Canada's Old Age Security Act provides for three benefits: the basic pension, the Guaranteed Income Supplement and the Spouse's Allowance.

The Old Age Security Pension

The basic Old Age Security pension is a monthly benefit paid to persons who have reached age 65 and who meet the residence requirements. For receipt of the pension in Canada, this requirement is a minimum of ten years of residence in Canada after reaching age 18. For indefinite receipt of the pension abroad (including the case of a person applying for a pension while residing abroad), the requirement is a minimum of 20 years of residence in Canada after reaching age 18. A person who is receiving a pension in Canada but who has not completed 20 years of residence may, on leaving Canada, receive the pension only for the month of departure and for the six following months.

Through the Agreement, an individual who has at least one year of residence in Canada after reaching age 18, but not residence of sufficient length to be entitled to an Old Age Security pension, may use periods of residence in Cyprus after reaching age 18 to satisfy the entitlement conditions for a pension. For example, a person who has resided in Canada for nine years after reaching age 18 may qualify for a pension payable in Canada if he or she has resided in Cyprus for at least one year after reaching age 18.

As well, through the Agreement, a person who has at least one year of residence in Canada after reaching age 18, but not the 20 years required for receipt of the Old Age Security pension abroad on an indefinite basis, may use periods of residence in Cyprus after reaching age 18 to satisfy the 20-year condition.

The Guaranteed Income Supplement

The Guaranteed Income Supplement is a monthly benefit payable in addition to an Old Age Security pension to a beneficiary

who has little or no income other than the basic Old Age Security pension. The supplement is essentially payable only to residents of Canada. However, if a recipient leaves Canada, it may be paid abroad for the month of departure and for the six following months.

The Spouse's Allowance

The Spouse's Allowance is a monthly benefit payable to the 60- to 64-year-old spouse of a beneficiary of the Guaranteed Income Supplement and to a widowed person in the same age group who has little or no personal income. At age 65, the Spouse's Allowance is replaced by the Old Age Security pension. At least ten years of residence in Canada after reaching age 18 are required to qualify for a Spouse's Allowance. Like the Guaranteed Income Supplement, the Spouse's Allowance is essentially payable only in Canada. However, if a recipient leaves Canada, it may be paid abroad for the month of departure and for the six following months.

Through the Agreement, an individual who has at least one year of residence in Canada after reaching age 18, but not the ten years required to be entitled to a Spouse's Allowance, may use periods of residence in Cyprus after reaching age 18 to satisfy the ten-year condition.

Calculating Old Age Security Benefits Under the Agreement

The amount of the Old Age Security pension payable under the Agreement is equal to 1/40th of a full pension for each complete year of residence in Canada after reaching age 18. It is calculated in the same way as is a partial pension under the Old Age Security Act if eligibility is established without recourse to an agreement.

The amount of the Spouse's Allowance is determined by the couple's income or, in the case of a widowed person, by the personal income of the beneficiary.

Payment of Old Age Security Benefits

Old Age Security benefits are paid by Health and Welfare Canada in Canadian funds directly to the beneficiary, whether he or she lives in Canada or abroad.

Canada Pension Plan Benefits

The Canada Pension Plan provides benefits in the event of the retirement, disability or death of a contributor. The Plan, which began operation in 1966, covers virtually all persons engaged in paid employment or self-employment in Canada, except in Quebec, where a similar plan, the Quebec Pension Plan, is in effect.

Canada Pension Plan benefits may be paid anywhere in the world, without any restriction whatsoever.

The Canada Pension Plan Retirement Pension

A retirement pension is a monthly benefit payable to a contributor who has reached retirement age and who has made contributions to the Plan in at least one year.

The normal retirement age is 65. A person who has reached this age may receive a retirement pension even if he or she is still working. A retirement pension may also be paid to a contributor aged between 60 and 64 who has completely ceased paid employment or whose employment earnings, at an annual rate, do not exceed the amount of the maximum annual retirement pension payable to a person whose pension begins at age 65.

If an individual starts to receive a retirement pension before age 65, the pension is reduced by 0.5 percent for each

month between the month the pension begins and the month of the person's 65th birthday. The reduction is permanent. Conversely, if the pension starts after the individual reaches age 65, it is increased in a comparable manner.

Canada Pension Plan Disability Benefits

A disability pension is a monthly benefit payable to a contributor who is disabled and who has made contributions to the Plan in at least five of the ten or in two of the three calendar years immediately preceding disablement.

A contributor is considered to be disabled if he or she has a physical or mental disability which is both severe and prolonged. "Severe" means that the individual cannot regularly pursue any substantially gainful occupation. "Prolonged" means that the disability is likely to be long continued and of indefinite duration, or is likely to result in death.

A monthly child's benefit is also payable for each dependent child of a disabled contributor. The child must be under age 18, or age 18 or older but under age 25 and in full-time attendance at school or university.

Through the Agreement, a person who has some periods of contributions to the Canada Pension Plan, but who has not made sufficient contributions in the years immediately preceding disablement, may use periods during which contributions have been paid or credited under the Cypriot Social Insurance Scheme to satisfy the conditions for entitlement to a Canada Pension Plan disability benefit.

Canada Pension Plan Survivors' Benefits

A surviving spouse's pension is a monthly benefit payable to the surviving spouse of a deceased contributor who had made contributions to the Plan for a minimum period (between three and ten calendar years, depending on the age of the contributor at the time of death). Surviving spouse's pensions are payable on the same conditions to widows and widowers. They are payable even if the surviving spouse remarries.

The "surviving spouse of the contributor" is the person of the opposite sex living with the contributor in a conjugal relationship (whether or not there was a marriage) at the time of death or, if there is no such person, the legal spouse (even if that legal spouse was not living with the contributor at the time of death). If the surviving spouse and deceased contributor were not legally married, they must have lived together for at least one year.

To qualify for a benefit, a surviving spouse who is under age 35 at the time of the contributor's death must be caring for a child of the contributor or must be disabled as defined by the Canada Pension Plan.

A monthly orphan's benefit is also payable for each dependent child of the deceased contributor. The child must be under age 18, or age 18 or older but under age 25 and in full-time attendance at school or university.

A death benefit is payable to the estate of a deceased contributor who had made contributions to the Plan for a minimum period (between three and ten calendar years, depending on his or her age at the time of death).

Through the Agreement, when a spouse or child is not entitled to a survivor's benefit because the deceased had not completed sufficient periods of contributions to the Canada Pension Plan, periods during which

the deceased had paid or been credited with contributions under the Cypriot Social Insurance Scheme may be used to satisfy the conditions for entitlement to a Canada Pension Plan survivor's benefit.

Calculating Canada Pension Plan Benefits Under the Agreement

The retirement pension, the surviving spouse's pension payable at age 65 and the death benefit are based on the earnings of the contributor while under the Plan and on the number of years of contributions to the Plan. The disability pension and the surviving spouse's pension payable before age 65 are composed of two parts: a benefit related to the earnings of the contributor and a flat-rate benefit. Benefits paid on behalf of a contributor's children are all flat-rate.

If entitlement to a Canada Pension Plan benefit is established under the Agreement, the flat-rate component is calculated in proportion to the periods during which contributions were made to the Canada Pension Plan relative to the minimum period of contributions required for entitlement to the benefit. The earnings-related component is calculated in the same way as is a benefit which is paid without recourse to the Agreement.

Payment of Canada Pension Plan Benefits

Canada Pension Plan benefits are paid by Health and Welfare Canada in Canadian funds directly to the beneficiary, whether he or she lives in Canada or abroad.

Cypriot Benefits Included in the Agreement

Old Age Pension

A Cypriot old age pension is a weekly benefit payable to men who have reached age 65 and women who have reached age 63. Receipt of the pension is not conditional on retirement from regular employment. There are two contribution conditions for entitlement to an old age pension: the individual must have paid contributions in at least three years, and his or her average insurable earnings must be greater than a prescribed basic level. Once entitlement has been established, the amount of benefit is calculated on the basis of the person's average insurable earnings under the Cypriot Social Insurance Scheme and may include increases for dependants.

Through the Agreement, a person who has some insurable earnings on which contributions have been paid or credited under the Cypriot Social Insurance Scheme, but not in a sufficient amount for entitlement to an old age pension, may use periods of residence in Canada after reaching age 18 or periods of contributions under the Canada Pension Plan to satisfy the conditions for entitlement to a pension.

Invalidity Pension

An invalidity pension is a weekly benefit payable to an employed or self-employed person under pensionable age who becomes permanently incapable of working for more than two thirds of his/her capacity. The benefit starts six months after the onset of invalidity. The contribution conditions for an old age pension also apply for an invalidity pension. There is an additional condition of a minimum level of earnings on which contributions have been paid or credited in

the year prior to the onset of invalidity. Once entitlement has been established, the amount of invalidity pension is calculated in the same way as an old age pension.

Through the Agreement, a person who has some insurable earnings on which contributions have been paid or credited under the Cypriot Social Insurance Scheme, but not in a sufficient amount for entitlement to an invalidity pension, may use periods of contributions under the Canada Pension Plan to satisfy the conditions for entitlement to a pension.

Survivors' Benefits

Survivors' benefits include a widow's pension, an orphan's benefit and a funeral grant.

A widow's pension is a weekly benefit payable to the widow (and, under prescribed conditions, to the widower) of a person who, at the time of death, satisfies the contribution conditions for an old age pension. The widow must have been living with her husband or have been wholly or mainly maintained by him on the date of death. Once entitlement has been established, the amount of benefit is calculated on the basis of the deceased spouse's average insurable earnings under the Cypriot Social Insurance Scheme and may include increases for dependants. The widow's pension is payable for life, unless the widow remarries (in which case a lump-sum equal to one year's pension is paid).

An orphan's benefit is a weekly benefit payable to a person who takes care of a child, whose parents are both deceased. The child must be under age 15; or between the ages of 15 and 25 if male, unmarried and in full-time attendance at school or an approved training course or in active service in the Cyprus National Guard; or between the ages of 15 and 25 if female, unmarried and in full-time attendance at school or an approved training course; or without age restriction if

unmarried and permanently incapable of self-support. The only contribution condition is that one of the parents must have been an insured person (i.e., had made at least one contribution to the Cypriot Social Insurance Scheme). Also, under prescribed conditions, an orphan's benefit is payable where only one parent is deceased. Once entitlement has been established, the amount of benefit payable consists of a flat-rate portion and a portion calculated on the basis of the deceased parent's average insurable earnings under the Cypriot Social Insurance Scheme. When an orphan under the age of 17 ceases to be entitled to a benefit, a lump-sum equal to one year's benefit is paid.

A funeral grant is payable on the death of a person who was in receipt of an old age, invalidity or widow's pension, and on the death of a dependant of a pensioner. A funeral grant is also payable on the death of a contributor (or the dependant of a contributor) who has paid insurable earnings greater than a prescribed basic level. There must also have been a minimum level of earnings on which contributions were paid or credited in the year prior to death. The funeral grant is a flat-rate amount.

Through the Agreement, a person who, at the time of death, had some insurable earnings on which contributions had been paid or credited under the Cypriot Social Insurance Scheme, but not in a sufficient amount to create entitlement to a widow's pension, orphan's benefit or funeral grant for his or her survivors, may have periods of contributions under the Canada Pension Plan taken into account to satisfy the conditions for entitlement to a survivor's benefit.

Calculating Cypriot Benefits Under the Agreement

If entitlement to a Cypriot old age, invalidity, widow's pension or orphan's benefit is established by using the provisions of the

Agreement, the benefit payable will be determined on the basis of the actual insurable earnings under the Cypriot Social Insurance Scheme and of the ratio of the periods of contributions actually completed under the Cypriot scheme to the sum of the periods completed in both countries. For this purpose, periods in Canada include periods of contributions to the Canada Pension Plan and periods of residence in Canada after reaching age 18.

If entitlement to a Cypriot funeral grant is established by using the provisions of the Agreement, the full flat-rate amount will be payable.

Payment of Cypriot Benefits

Under Cypriot law, there are controls on the import and export of Cypriot currency. Through the Agreement, persons who have been subject to the Old Age Security Act or the Canada Pension Plan and who live outside Cyprus will be paid Cypriot benefits in a freely convertible currency. For persons living in Canada, this will be United States dollars.

Cypriot benefits will be paid by the Cypriot Social Insurance Department directly to the beneficiary, whether he or she lives in Cyprus or abroad.

Determining the Applicable Legislation

Without an agreement, a person might be required to contribute both to the Canada Pension Plan and to the Social Insurance Scheme of Cyprus for the same work. The Agreement on Social Security between Canada and Cyprus eliminates such situations of "dual coverage."

General Rule

Under the Agreement, an employee is normally subject only to the legislation of the country in which he or she works and is, therefore, exempt from contributions under the legislation of the other country in respect of the same work.

Temporary Postings in Cyprus

An exception to the general rule applies in the case of a "detached worker" (e.g., an employee who normally works in Canada and is covered under the Canada Pension Plan in respect of that work, and who is sent by an employer to work in Cyprus on a temporary basis). Under the Agreement, such a worker is able to continue his or her coverage under the Canada Pension Plan for a period of 24 months and, while this coverage remains in effect, is exempt from social security contributions to the Cypriot system in respect of the same work.

Government Employment

Another exception to the general rule applies to persons in government employment for one of the countries who are performing their duties in the other country. They are normally subject to the social security laws of the latter country only if they are citizens or permanent residents of that country.

Residence Under the Old Age Security Act

In addition to the coverage provisions just described, the Agreement between Canada and Cyprus contains another provision which ensures that a person who is covered under the Canada Pension Plan or Quebec Pension Plan while residing in Cyprus is also covered by the Old Age Security Act, which is usually based only on residence in Canada. Thus, during that period, complete coverage is afforded under Canadian

legislation. Conversely, a person who is residing and working in Canada and is subject to the social security legislation of Cyprus does not have those periods considered as periods of residence for purposes of the Old Age Security Act.

More Information Concerning Contributions

Revenue Canada, Taxation, administers the provisions of the Canada Pension Plan relating to the making of contributions. Questions regarding the obligation of an employee, an employer or a self-employed person to contribute to the Canada Pension Plan as a result of the Canada-Cyprus Agreement, as well as questions concerning continued coverage under the Plan while temporarily posted to work in Cyprus, should be addressed to:

Source Deductions Division
Revenue Canada, Taxation
OTTAWA, Ontario
K1A 0L8

Applying for Benefits under the Agreement

Additional information about the Agreement and assistance in applying for any of the Canadian or Cypriot benefits described in this summary are available from any Client Service Centre of Income Security Programs Branch. The telephone number and address of the nearest Centre can be found in the federal government listing of the telephone

directory under "Health and Welfare Canada". Alternatively, inquiries may be addressed to:

Director
International Operations
Income Security Programs Branch
Health and Welfare Canada
OTTAWA, Ontario
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